



A Bird in Hand: Customer Retention in Voluntary Renewable Energy Programs



December 6, 2006

11th Annual Renewable
Energy Marketing
Conference



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Customer Loyalty

Retired Harvard marketing professor Frederick Reichheld

“It costs eight times as much to attract a new customer, as it does to retain an existing one.”

We know that retaining an existing customer:

- Mitigates the impact of an economic downturn
- Costs less to provide the same product or service
- Provides increased customer value

In short, increased customer retention decreases marketing costs and increases revenue.



Direct marketing data shows that as an industry, we need to more formally budget for customer retention

“According to research carried out for Pitney Bowes, responses from marketers in top 1,000 companies show 53 percent of spending goes towards customers, rather than prospects.”

DIRECT MARKETING: Customers for keeps.

Marketing Week (Feb 9, 2006): p37.



Customer Churn - Nationwide

In 2005 NREL reported customer churn reported national Green Pricing Program drops as an average of 9.8% and a median reported rate of 8.8%.

Including both active drops and passive drops

NREL: Trends in Utility Green Pricing Programs
Lori Bird and Elizabeth Brown (Oct 2005)



Customer Churn

Three kinds of customer drops exist in utility programs:

- Customers that move outside the service territory
- Customers who move within the service territory but are unintentionally dropped from participation (passive drops)
- Customers that initiate dropping from a voluntary renewable energy program (active drops)





Customer Retention as it Relates to Active Drops

Leading reasons for dropping enrollment include:

- Cost, too expensive, can't afford
- Questions around program legitimacy
- Lack of feedback, program communication

What central theme do these issues point to?



These kinds of responses point to a VALUE problem

Customer retention is a question of creating customer loyalty by protecting and communicating perceived value in the product that is being purchased.





The answer to customer loyalty lies in the initial reasons for customer purchase

Customers purchase renewable energy because they identify with a larger problem and want to be part of a solution.





Customer Retention Strategies - PacifiCorp's strategy

Annual Report

Newsletter

1. Content
2. Design

Community Presence

1. REC sponsorship
2. Community events presence

Benefits to Blue Sky Customers

1. Coupons
2. Facility Tours

Making a difference

1. Connecting customer action with created benefits
2. Leverage program enrollment, funding small project grants





PacifiCorp and other utility partnerships have also seen:

Holiday cards

Yard signs

Residential and commercial
recognition ads in local
newspapers

Commercial customer
recognition in email blasts







be proud of your power



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